



TOWN COUNCIL – AGENDA REQUEST FORM

THIS FORM WILL BECOME PART OF THE BACKGROUND INFORMATION USED BY THE COUNCIL AND PUBLIC

Please submit Agenda Request Form, **including back up information**, 8 days prior to the requested meeting date. **Public Hearing requests must be submitted 20 days prior to requested meeting date to meet publication deadlines** (exceptions may be authorized by the Town Manager, Chairman/Vice Chair).

MEETING INFORMATION

Date Submitted: September 14, 2016

Date of Meeting: September 22, 2016

Submitted by: Paul T. Micali

Department: Finance

Time Required: 20 minutes

Speakers:

Background Info.

Supplied:

Yes: ☒ No: ☐

CATEGORY OF BUSINESS (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Appointment:

☐

Recognition/Resignation/
Retirement:

☐

Public Hearing:

☐

Old Business:

☐

New Business:

☒

Consent Agenda:

☐

Nonpublic:

☐

Other:

☐

TITLE OF ITEM

MS-434 Review

DESCRIPTION OF ITEM

Town Council will be presented with the details of the undesignated fund balance as it relates to the 2016 MS-434.

REFERENCE (IF KNOWN)

RSA:

Warrant Article:

Charter Article:

Town Meeting:

Other:

N/A

EQUIPMENT REQUIRED (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Projector:

☐

Grant Requirements:

☐

Easel:

☐

Joint Meeting:

☐

Special Seating:

☐

Other:

☐

Laptop:

☐

None:

☐

CONTACT INFORMATION

Name:

Paul T. Micali

Address

8 Baboosic Lake Road

Phone Number

424-7075

Email Address

pmicali@merrimacknh.gov

APPROVAL

Town Manager:

Yes ☒ No: ☐

Chair/Vice Chair:

Yes ☒ No: ☐

Hold for Meeting Date: _____

Memo



TO: Town Council
ATTN: Town Manager Eileen Cabanel
FROM: Finance Director Paul T. Micali
DATE: August 24, 2016

RE: MS-434

Finance is currently having the Town's June 30, 2016 fiscal year-end audit. During this review Finance has been able to determine the estimated pre-audit year end Undesignated Fund balance. As of today Finance is projecting to increase the Undesignated Fund balance of approximately \$1.5 Million. The chart below is a summary of Fund balance:

Beginning Fund Balance as of 6/30/2015	5,176,186.68
Additions To fund Balance	<u>1,498,171.03</u>
Estimated Fund balance as of June 30, 2016	<u>6,674,357.71</u>
Fund Balance used for Tax Relief: (53rd week payroll)	<u>(225,000.00)</u>
Projected fund balance December 31, 2016	<u>6,449,357.71</u>

Some uses for fund balance as mentioned in the attached Fund Balance Retention Policy.

Recommended Utilization from Fund Balance Retention:

Excess Balance (over prescribed level)

- i. Emergency appropriations
- ii. Capital Projects
- iii. Transfers to Capital Reserves
- iv. Reduction of the tax rate for the ensuing year
- v. Any other nonrecurring appropriation as deemed appropriate by the Council

Items ii and iii require a separate warrant article on the upcoming Town Warrant in April. Item iv would require a vote of the Town Council to include on the MS-434 (attached) Revised Estimated Revenues.

Some suggestions for using the Fund Balance would be:

- To help offset the bond for The Highway Garage (warrant article needed)
- To help offset the bond coupled with the \$650,000 for the South Fire Station (warrant article needed)
- Move money into the Capital Reserve Funds to be used at a later date (warrant article needed).
- Reduction of taxes. Depending on the amount the council wants to give back I would suggest a phased in approach to stabilize the tax rate over several years. On the next page you will find a chart showing the effect on the tax rate in \$50,000 increments up to \$250,000.

Below you will find projected level of fund balance:

	2013	2014	2015	2016
Unreserved Fund Balance AS OF 6/30/XX	2,627,604	3,306,361	5,092,764	6,449,358
%	3.33%	4.02%	6.06%	7.19%
4% fund balnce over (under)				\$ 3,588,638 \$ 2,860,720
6% fund balance over (under)				\$ 5,382,957 \$ 1,066,401
8% fund balance over (under)				\$ 7,177,276 \$ (727,918)

Return of Fund Balance effect on tax rate:

Fund balance used	Effect on Tax Rate
\$ 50,000	0.02
\$ 100,000	0.03
\$ 150,000	0.05
\$ 200,000	0.06
\$ 250,000	0.08

At this time I am projecting that the Municipal Tax Rate will be \$5.03:

	2016 est	
	Tax	Rate
<u>Municipal</u>		
Appropriations	34,366,629	
Estimated revenues	(18,551,843)	
Tax overlay	375,000	
General Fund surplus:		
Designated by ballot vote		
Property tax relief	(225,000)	
Veterans exemptions	661,000	
Property tax levy	16,625,786	5.03

Town of Merrimack

Town Council Adopted

Town Financial Policies

Maintenance of Fund Reserves

Goal: The Town shall maintain adequate fund reserves to protect itself against emergencies and economic downturns.

- A. General Fund. The Town shall achieve and maintain a minimum undesignated fund balance of 5% of the General Fund's annual budget, including Town, School and County appropriations. The Town Council may appropriate any amount of undesignated fund balance in excess of the designated percentage or use the excess to offset property taxes as part of the final adopted budget for a fiscal year. For purposes of this section the following apply:
1. Emergency purposes do not include the offsetting of property taxes.
 2. Undesignated fund balance will be determined in accordance with generally accepted accounting principles.
 3. The undesignated fund balance target level shall be achieved by allowing the town to keep any unreserved balance up to the stated limit.
- B. Special Revenue Funds – Non-Grant. The Town shall achieve and maintain minimum undesignated fund balances of 5% of the total appropriations of each such fund budgeted.
- C. Enterprise Funds. The Town shall achieve and maintain net current assets (excluding unspent cash from bond proceeds) of 15% of the total appropriations of each fund in a given fiscal year.

Unreserved Fund Balance Retention Policy

Goal: The Town shall maintain adequate fund reserves to protect itself against emergencies and economic downturns. In addition to provide working cash and as a safeguard against fluctuating revenues, adopted budgets for General Operating and other funds shall include consideration of the *following* provisions:

1. Definitions:

- a. **Fund Balance:** - The accumulated equity balance in a governmental fund resulting from operations over the years. This is the difference between fund assets and fund liabilities.
- b. **General Fund** - A fund used to account for basic governmental services supported generally by taxes. Accounts for all financial resources not required to be accounted for in another fund.
- c. **Undesignated Fund Balance of the General Fund** - Defined as the fund balance of the general fund, excluding any and all reserves, and any dedicated fund balances of the General Fund.

2. Recommended Maintenance Level

- a. Not less than 4% and not higher than 8% of the gross municipal appropriations, plus net school district appropriations, as approved for a fiscal year.
 - i. Exclusions: Any appropriations for capital projects or improvements funded entirely by bonds/notes proceeds, operating transfers or other financing sources.
- b. If the balance falls below the prescribed level, any additions to the fund balance, as determined by the annual audit, must remain in the fund until the prescribed level has been reached.

3. Recommended Utilization

- a. Excess Balance (over prescribed level)
 - i. Emergency appropriations
 - ii. Capital Projects
 - iii. Transfers to Capital Reserves
 - iv. Reduction of the tax rate for the ensuing year
 - v. Any other nonrecurring appropriation as deemed appropriate by the Council

- 4. Method of Approval - The Town Manager shall make recommendations on the use of excess fund balance as part of the subsequent year's budget and it shall be considered along with the balance of the fiscal year budget proposal.



**Revised Estimated Revenues
Merrimack**
(RSA 21-J:34)

For Assistance Please Contact:

NH DRA Municipal and Property Division

Phone: (603) 230-5090

Fax: (603) 230-5947

<http://www.revenue.nh.gov/mun-prop/>

Preparer's Certification

Name	Position	Signature

This form must be signed, scanned, and uploaded to the Municipal Tax Rate Setting Portal:
<https://www.proptax.org/>

Revenues

Account Code	Source of Revenue	Warrant Article #	Estimated Revenue
Taxes			
3120	Land Use Change Tax - General Fund	1	\$125,000
3180	Resident Tax		\$0
3185	Yield Tax	1	\$5,000
3186	Payment in Lieu of Taxes	1	\$6,654
3187	Excavation Tax	1	\$4,900
3189	Other Taxes	1	\$384,000
3190	Interest and Penalties on Delinquent Taxes	1	\$298,671
9991	Inventory Penalties		\$0

Account Code	Source of Revenue	Warrant Article #	Estimated Revenue
Licenses, Permits, and Fees			
3210	Business Licenses and Permits		\$0
3220	Motor Vehicle Permit Fees	1	\$4,300,000
3230	Building Permits	1	\$100,000
3290	Other Licenses, Permits, and Fees	1	\$263,566
3311-3319	From Federal Government	1	\$131,381
State Sources			
3351	Shared Revenues		\$0
3352	Meals and Rooms Tax Distribution	1	\$1,221,844
3353	Highway Block Grant	1	\$562,154
3354	Water Pollution Grant	1	\$44,846

Account Code	Source of Revenue	Warrant Article #	Estimated Revenue
3355	Housing and Community Development		\$0
3356	State and Federal Forest Land Reimbursement		\$0
3357	Flood Control Reimbursement		\$0
3359	Other (Including Railroad Tax)	1	\$2,618,000
3379	From Other Governments		\$0
Charges for Services			
3401-3406	Income from Departments	1	\$6,477,055
3409	Other Charges		\$0
Miscellaneous Revenues			
3501	Sale of Municipal Property	1	\$25,000
3502	Interest on Investments	1	\$81,050
3503-3509	Other	1	\$91,160
Interfund Operating Transfers In			
3912	From Special Revenue Funds		\$0
3913	From Capital Projects Funds	1	\$125,000
3914A	From Enterprise Funds: Airport (Offset)		\$0
3914E	From Enterprise Funds: Electric (Offset)		\$0
3914O	From Enterprise Funds: Other (Offset)		\$0
3914S	From Enterprise Funds: Sewer (Offset)		\$0
3914W	From Enterprise Funds: Water (Offset)		\$0
3915	From Capital Reserve Funds	1	\$1,690,500
3916	From Trust and Fiduciary Funds	1	\$3,500
3917	From Conservation Funds		\$0
Other Financing Sources			
3934	Proceeds from Long Term Bonds and Notes		\$0

Revised Estimated Revenues Summary		Merrimack	
Subtotal of Revenues			\$18,559,281
Unassigned Fund Balance (unreserved)		\$6,674,358	
Less Emergency Appropriations (RSA 32:11)		\$0	
Less Voted from Fund Balance		\$0	
Less Fund Balance to Reduce Taxes		\$225,000	
Fund Balance Retained		\$6,449,358	
Total Revenues and Credits			\$18,784,281

Requested Overlay	\$375,000
--------------------------	------------------